



LANGEBERG MUNICIPALITY

TABLED BUDGET:2012/2013–2014/2015

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SECTION A – Part 1

1 Glossary

Adjustments Budgets – Prescribed in section 28 of the Municipal Finance Management Act. It is the formal means by which a municipality may revise its budget during a financial year.

Allocations – Money received from Provincial and National Treasury.

Budget – The financial plan of a municipality.

Budget related policy – Policy of a municipality affecting or affected by the budget.

Capital Expenditure – Spending on municipal assets such as land, buildings and vehicles. Any capital expenditure must be reflected as an asset on a municipality's balance sheet.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality, and the month end balances of cash and short term investments. Cash receipts and payments do not always coincide with budgeted income and expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month that the services or goods are received, even though it may not be paid in the same period.

DORA – Division of Revenue Act. The annual piece of legislation that indicates the allocations from National Government to Local Government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to assist with free basic services.

GDFI - Gross Domestic Fixed Investment

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates comparisons between municipalities.

Glossary (Cont)

IDP – Integrated Development Plan.The main strategic planning document of amunicipality.

KPI – Key Performance Indicators.Measures of service output and/or outcome.

LM – Langeberg Municipality

MFMA - Municipal Finance Management Act (No 53 of 2003).The principle piece oflegislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework as prescribed by theMFMA sets out indicative revenue and projected expenditure for the budget year plus two outer financial years to determine the affordability level.

Operating Expenditure – Spending on the day to day expenses of a municipalitysuch as general expenses, salaries & wages and repairs & maintenance.

Rates – Local Government tax based on assessed valuation of a property.

TMA – Total Municipal Account

SDBIP – Service Delivery Budget Implementation Plan.A detailed plan comprisingquarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of a municipality as set out in the IDPBudgeted spending must contribute towards achievement of these strategicobjectives.

Vote – One of the main segments into which a budget is divided, usually atdepartment level.

2. Mayors Report / Burgemeester se Verslag

BEGROTINGSTOESPRAAK: UITVOERENDE BURGEMEESTER

Inleiding

Mnr die Speaker, Raadslede, munisipale amptenare en lede van die publiek, dit is my voorreg as Uitvoerende Burgemeester van Langeberg Munisipaliteit om die begroting vir die 2012/2013 medium termyn by hierdie vergadering voor te lê. Die begroting wat ter tafel gelê sal word, sal die eerste begroting wees wat deur die nuutverkose Raad opgestel is en is dit belangrik dat hierdie begroting en die dienslewering- en begrottingsplanne gerig word tot voordeel van die dieselfde gemeenskap wat die raadslede verkies het.

Speaker, dit is algemeen bekend dat Langeberg Munisipaliteit een van die top munisipaliteite in die Wes-Kaap en in Suid-Afrika is en is dit my streefe is om die munisipaliteit tot hoër hoogtes te lei.

Mnr die Speaker, soos u en die Raad sal weet, gaan dit nie goed in terme van finansiële volhoubaarheid nie. As gevolg van verhogings in elektrisiteit, kospryse, petrol, eiendomsbelasting, salarisne en dag-tot-dag uitgawes van die Munisipaliteit, is dit onafwendbaar dat verbruikersrekeninge op dieselfde wyse geaffekteer sal word. Dit mnr die Speaker is 'n groot kommer, nie alleen vir my as Burgemeester van die Raad nie, maar ook vir u as Raad, die Bestuurspan, asook vir die gemeenskap. Ons word almal deur dieselfde probleem gekonfronteer. Saam sal ons oplossings moet soek om hierdie uitdaging die hoof te bied en om die munisipale dienste bekostigbaar te hou. Moeilike besluite sal derhalwe geneem moet word om te verseker dat ons aksies in lyn is om die lewe van ons gemeenskap te verbeter.

Die 2012/13 Begroting

The 2012/2013 begroting was voorberei onder uitdagende omstandighede en dit het harde werk en kreatiwiteit gevrag ten einde die begroting te kon balanseer. Soos almal bewus is, is die wêreld steeds in 'n proses om te herstel van die ekonomiese insinking.

Ter voorbereiding van die voorgestelde begroting is munisipaliteite versoek om tariefverhogings te beperk tot die boonste perk van die Suid Afrikaanse Reserwe Bank se inflasie (VPI) teiken van 6%. Soos algemeen bekend, is die VPI nie 'n goeie maatstaf van die verhoging in koste van goedere en dienste nie; nogtans word verwag dat tariefverhogings beperk word. Wanneer die skerp verhogings in elektrisiteit, brandstof, bou-materiale en ander kostes in aanmerking geneem word, is dit onmoontlik om die verhogings te beperk tot die VPI.

Alhoewel die munisipaliteit nie 'n winsgewende organisasie is nie, moet dit nog steeds as 'n lopende saak bedryf word; gevvolglik kan daar nie nagelaat word om die kostes van dienslewering te verhoog nie.

Mnr die Speaker, vir armes, sal daar voortgegaan word met die voorsiening van behuising, toekenning van deernissubsidie en sosiale hulp aan ouer persone.

Ten einde werkskepping te bevorder, maak die begroting voorsiening vir skoonmaakprojekte asook die Uitgebreide Publieke Werke Program wat fokus op die skoonmaak van ons dorpsgebiede. Die begroting fokus dus op die skepping van 'n omgewing wat nuwe werksgeleenthede sal aanmoedig.

Speaker, ons is verbind tot die visie van “*Creating a stable living environment and sustainable living conditions for all citizens*” en sal alles binne ons vermoë doen om dit te laat realiseer. Die hulpbronne is beperk terwyl die behoeftes geen einde het nie. Behoeftes word dus deurentyd geprioritiseer en daar word geglo dat daar stapsgewys en doelgerig stappe geneem moet word om ons doelwitte te bereik.

Speaker, ten einde behoorlike publieke deelname te verseker, soos vereis in terme van die MFMA, sal wyksraadslede tesame met die wykskomitees die konsep Geïntegreerde Onwikkelingsplan (GOP) en Begroting nagaan en skriftelik kommentaar daarop lewer. 'n Advertensie sal in plaaslike koerante geplaas word om die publiek in te lig dat afskrifte van die begrottingsdokumente beskikbaar gemaak word aan wykskomitees, by biblioteke, munisipale kantore en ook op die munisipale webblad geplaas word. 'n Sessie sal ook in Robertson Stadsaal gereel word met georganiseerde besigheid, landbou en alle nie-regeringsorganisasies om die konsep GOP, begroting en relevante beleide te bespreek. Die publieke deelname proses sal vanaf 28 Maart 2012 tot 30 April 2012 plaasvind.

Mnr die Speaker, verskeie dokumente word ingedien by die Raad. Ons is bewus dat dit 'n groot volume is, maar ter wille van deursigtigheid word die kenmerke van die begroting verskaf.

Mnr Speaker, hiermee 'n opsomming van die 2012-2013 Begroting en Tariewe

Die Inkomste en Uitgawes vir die medium termyn is as volg:

Kategorie	Konsep Begroting 2012/2013 R	Konsep Begroting 2013/2014 R	Konsep Begroting 2014/2015 R
Inkomste	454,265 ,850	500,460,630	549,649,590
Uitgawes	436,792,660	481,630,240	532,427,760
Bruto Surplus	17,473,190	18,830,390	17,221,830
Kapitaal Begroting	49,468,281	53,157,474	43,027,719

Die begrote operasionele surplus is 'n gevolg van die voorwaardelike kapitale toekenning wat as inkomste aangetoon word.

Kern elemente van die Operasionele Begroting is as volg:

Toerisme/bemarking	R 837 880
Deernissubsidie: Toekenning	R 23, 499 m
Menslike Vestiging Toekenning	R 14, 267 m
Geproklameerde Paaie Onderhoud	R 187 000
Armoede verligting projekte	R2, 753m

Kern elemente van die Kapitale Begroting is as volg:

Opgradering Waterwerke: Ashton	R 3,68 m
Oorlaaistasie: Montagu	R 2,883 m
Grootmaat Water: Mc Gregor	R 2.169 m
Opgradering Rioolwerke	R 11,990 m
Biblioteek: Nkqubela	R1, 754 m
Herseël van strate	R 3 m

ONDERSTEUNING VANAF PROVINSIALE EN NASIONALE REGERING

Die munisipaliteit sal 'n bedrag van R 75,83 miljoen ontvang as 'n Operasionele Toekenning en R 21,876 miljoen ontvang in die vorm van Kapitale Toekennings vanaf Nasionale en Provinsiale Regering.

TARIEWE

Soos voorheen gesê, MnR die Speaker, is dit onmoontlik om tarief-verhogings onder inflasie te hou wanneer faktore soos elektrisiteit, brandstof, salarisste ens. in aanmerking geneem word. Daar is gepoog om tariefverhogings sover moontlik tot die minimum te beperk.

Die voorgestelde tariefverhogings is as volg:

Tarief	Persentasie verhoging
Eiendomsbelastings	6 - 7.5%
Water	8 %
Vullisverwydering	8 %
Riolering	8 %
Elektrisiteit	11.0%
Bloktariewe	1.54 – 15.56%
Gemeenskapsale	10 %
Ander fooie en heffings	Tot 10 %

Speaker, ons sal steeds gratis basiese dienste aan die arm en deernis huishoudings verskaf en gevvolglik word daardie huishoudings wat vir deernishulp kwalifiseer aangemoedig om aansoek te doen vir deernissubsidie,

Mnr die Speaker alhoewel ons heelwat meer wou doen as dit wat aangedui word, kan alles nie in een jaar gedoen word nie, soos reeds aangedui. Die beste ding van die toekoms, Mnr die Speaker, is dat daar slegs een dag op 'n slag kom.

3. AFSLUITING

Ter afsluiting, Mnr die Speaker, kan ek dit onomwonde stel dat dat die voorgestelde 2012/13 multi-jaar begroting uitvoering sal gee aan die strategiese doelwitte wat vir Langeberg Munisipaliteit gestel is.

Ek dank u.

RAADSHEER GAGIANO

UITVOERENDE BURGEMEESTER.

3. Resolutions

That Council approves the following:

- (a) That the consolidated Operating budget of R 436 792 660, Capital budget of R 49 468 281, and budgeted cash flows, as set out in the Municipal Budget be adopted by Council and that it constitute the Budget of the Council for 2012/2013 financial year as well as medium term (indicative) budgets for the 2013/2014 and 2014/2015 financial years be approved.
- (b) That the Integrated Development Plan and any amendments thereto, be approved.
- © That the rates and tariffs for water, electricity and other municipal services be approved.
- (d) That all other matters prescribed in sections 17(1)(a-e); 17(2) and 17(3)(a-m) of the Municipal Finance Management Act are included in or accompany the budget document and be approved.
- (e) That the Tariff-, Rates-, Credit Control and Debt Collection-, Cash Management and Investment-, Veriment-and Funding and Reserves Policy be approved.
- (f) That the measurable performance objectives for 2012/2013 for operating revenue by source and by vote be approved.

4. Executive Summary

The Municipality's 2012/13 budget amounts to R486 260 941, represented by a Capital Budget of R49 468 281 and an Operating Budget of R436 792 660.

Primary Operating Budget revenue- and expenditure categories reflect the following year-on-year budget value increases (estimated 2012/13 vs. original 2011/12 budget):

Revenue / tariff increases

- Rates for Residential and Business property will decrease by 7.5% and 6.8% respectively
- The increase of Water Tariffs will be 8% .
- The increase of Sanitation Tariffs will be 8%.
- The tariff increase for Refuse Removal will be 8%
- The increase of Electricity Tariffs will be 11.0%. Inclined block tariffs increase with 1,54% up to 15,56% for the different blocks.

Expenditure category increases

Salaries and Wages (including increments)	- 9%
General Expenses	- 14%
Repairs & Maintenance (increase)	-11.10%
Capital Costs(increase)	-18.80%
Bulk Purchases (Water and Electricity)	-13,41%

The projected increase results from a combination of factors such as (relatively low) generic growth to core tariff-based services, operational efficiencies and revenue-related policies aimed at optimizing and sustaining all income sources.

The financing of capital expenditure from own funds (CRR) totals R28 156 000. This amount represents an increase to originally planned values and is earmarked to address specific infrastructural capital investment aligned to IDP focus areas. This level is considered to be affordable over the MTREF 3-year period.

Capital investment funding ex Capital Grants represents a significant portion (43%) of the Municipality's Capital Budget in 2012/13 and consists mainly of the Municipal Infrastructure Grant (MIG).

The 2012/13 Budget was compiled in terms of the Municipal Budget and Reporting Regulations and a phased-in process will be followed to include all information regarding the tables and supporting documentation.

Annual budget Tables

- A1 Budget Summary
- A2 Budgeted Financial Performance – by standard classification
- A3 Budgeted Financial Performance – by municipal vote
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SECTION A – Part 2

1 Budget Process Overview

1.1 Political oversight of the budget process

Section 53 (1) of the MFMA stipulates that the mayor of a municipality must provide general political guidance over the budget process and the priorities that guide the preparation of the budget.

Section 21(1) of the MFMA states that the Mayor of a municipality must coordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible.

Furthermore, this section also states that the Mayor must at least 10 months before the start of the budget year, table in municipal council, a time schedule outlining key deadlines for the preparation, tabling and approval of the annual budget.

This time schedule provides for political input from formal organizations such as portfolio Committees.

1.2. Schedule of Key Deadlines relating to budget process [MFMA s21(1)(b)]

The IDP and Budget time schedule of the 2012/2013 budget cycle was approved by Council on 27 July 2011, 11 months before the start of the budget year in compliance with legislative directives.

1.3. Process used to integrate the review of the IDP and preparation of the Budget

Updating the IDP and Budget is an evolving and re-iterative process over a 10 month period. The initial parallel process commenced with the consultative process of the IDP in 2011 and the update of the MTREF to determine the affordability and sustainability framework at the same time. A review of the approved 2011/2012 IDP were undertaken in 2011.

1.4. Process for consultation with each group of stakeholders and outcomes

Following tabling of the draft budget in March 2012, local input will be solicited via notices published in all major newspapers, including The Cape Times, Die Burger and The Gazette.

Comments on the IDP/Budget will be made by the public via verbal presentations, facsimiles, emails and in the form of correspondence to the municipality and will be considered for incorporation as part of the draft budget process.

1.5. Stakeholders involved in consultations

The tabled budget will be provided to National Treasury and Provincial Treasury in April 2012 for their consideration in line with S23 of the MFMA.

1.6. Process and media used to provide information on the Budget to the community

The Municipality's consultation process on its draft IDP review and budget will be held during April 2012, where various community organizations and representatives may/will come forward to give input and to re-prioritize some of their needs.

Community representatives and organizations had to review the priorities given previously and to ascertain whether it has been captured as priorities during the 2011/12 IDP process.

1.7. Methods employed to make the Budget document available(including websites)

In compliance with the Municipal Finance Management Act and the Municipal Systems Act with regards to the advertising of Budget Documents (including the Tariffs, Fees and Charges for 2012/13), advertisements will be placed in The Cape Times, Die Burger and the community newspapers. The information relating to resolutions and budget documentation will be displayed at the notice boards in the municipal offices as well as libraries.

In compliance with S22 of the MFMA, the Budget documentation will be published on the municipality's website following the approval thereof at Council.

2 IDP Overview and Amendments

- The Vision of the Municipality**

The Municipality's long term vision:

"Creating a stable living environment and sustainable living conditions for all citizens".

- Alignment with Provincial and National Government**

Langeberg Municipality's development plan needs to align with National and Provincial initiatives to ensure optimal impact from the combined efforts of government. In this regard there are six critical elements: Accelerated and Shared Growth-South Africa (ASGI-SA), National Spatial Development Perspective (NSDP), National Strategy for Sustainable Development (NSSD), Provincial Growth and Development Strategy (PGDS) and Provincial Spatial Development Framework (PSDF).

All these feed into and influence the Integrated Development Plan.

- Langeberg Municipality Budget Priorities (Key Performance areas)**

The Municipality's 2012/13 to 2014/15 integrated development plan focuses on ten strategic focus areas. The concrete objectives for each strategic focus area have been outlined and elaborated on in the Strategic Plan for 2012-2016. These objectives will be used to further develop key performance indicators against which performance implementation monitoring and reporting will be done. The corporate scorecard outlines these indicators and targets.

The ten strategic outcomes are:

- sustainable integrated human settlement*
- sustainable civil engineering infrastructure services*
- energy efficiency for a sustainable future*
- provision of a safe and efficient road network*
- promote public safety*

- *provision of a clean environment*
- *social and community development*
- *growth and economic development*
- *sound financial management*
- *institutional development and corporate governance*

- **Amendments to the Integrated Development Plan**

Amendments were made to the Integrated Development Plan.

The complete Integrated Development Plan is attached as Section C.

3 Measurable performance objectives and indicators

(a) KEY FINANCIAL INDICATORS AND RATIOS

Information regarding key financial indicators and ratios are provided on Supporting Table SA 8.

(b) MEASURABLE PERFORMANCE OBJECTIVES

Information regarding revenue is provided as follows:

Revenue for each vote	- SA 26
Revenue for each source	- SA 25

Provision of free basic services:

(i) Amount in rand value of each of the free basic services:

Refuse	R 7 333 760
Water(Basic charges)	R 2 926 560
Sewerage	R 9 663 940
Electricity	R 3 575 100

(ii) Level of service to be provided

Indigents will receive 50 kWh of electricity and 6 kiloliter of water per month while their basic charges for water, refuse and sewerage will be subsidized.

(iii) Number of households to receive free basic services

There is budgeted for 6 500 households that will receive 50 kWh electricity per month while all consumers in the municipal area will receive 6 kiloliter water per month.

(iv) Total budgeted for providing each basic service

Refuse	R 9 092 080
Water(Basic charges)	R 33 277 270
Sewerage	R 10 859 460
Electricity	R 243 033 540

(c) PROVIDING CLEAN WATER AND MANAGING OF WASTE WATER

The following information is provided as requested in terms of Circular 58 from National Treasury.

Name of the Water Service Authority in the area and name of the Water Service Provider, and who actually manages the provision of drinking water and waste water management (if outsourced).

Langeberg Municipality is both the Water Service Provider and the Water Service Authority and manages the provision of drinking water and waste water management.

The Blue Drop and Green Drop performance ratings (as determined by the Department of Water Affairs) applicable to all water and waste water services within the municipality, highlighting areas that require attention.

A blue drop rating provided by Provincial Department. The town was scored as follows:

Ashton	57.8
Robertson	54.8
McGregor	54.75
Montagu	50.8
Bonnievale	54.8

New results is not yet available.

The current status of the municipality's Water Safety Plan and measures to be taken in 2012/13 and over the MTREF to implement it.

Water Safety Plan: There is no formal water safety plan in place.

A brief outline of problems that the municipality is experiencing with regards to the management of drinking water and sewerage.

- A. Unqualified personnel: Existing personnel ABET skills levels inadequate to allow them for further secondary training. If qualified personnel are appointed, current personnel will be redundant which is not acceptable.
- B. Inadequate laboratory equipment.
- C. Availability of funds in the annual budget for purchasing of chemicals throughout the year without any time consuming strains, and better planning of our budget for civil services.

An outline of the steps the municipality needs to take to address the problems noted.

Step 1.

When vacancies become available in the future qualified personnel be appointed.

Step 2.

Current personnel must receive practical training at the work place.

Step 3.

The possibility of acquiring more equipment to be able to do more tests on our own water quality on our own premises.

Step 4.

Not all plants are on standard to provide services for individual towns. Constant upgrading is therefore necessary to be able to manage water qualities.

2012/13 budget and MTREF allocations proposed/made to fund the above measures.

Funds are provided in the budget for training as well as upgrading of purification plants.

4 Overview of Budget Related Policies and Amendments

The following budget related policies have been approved by Council, or have been reviewed / amended and / or are currently being reviewed / amended, in line with National Guidelines and Legislation.

Tariff Policy
Credit Control and Debt Collection Policy
Cash Management and Investment Policy
Rates Policy
Supply Chain Management Policy
Veriment Policy
Funding and Reserves Policy

Policies which have been amended according to the recommendation hereunder, will be available at libraries in the municipal area and the website of the municipality.

Herewith information regarding the amendment of policies:

(a) TARIFF POLICY

The Municipal System Act requires Council to adopt a Tariff Policy. The general financial management functions covered in section 62 of the MFMA includes the implementation of a tariff policy. Specific legislation applicable to each service has been taken into consideration when determining this policy.

No amendments were recommended.

(b) CREDIT CONTROL AND DEBT COLLECTION POLICY

This Policy has been formulated in terms of section 96 (b) and 98 of the Local Government: Municipal Systems Act, 2000 and the Credit Control and Debt Collection By-Law.

Amendments recommended

Background

There are indigents within the municipal area with conventional electricity meter which cannot afford to pay their electricity bill. To ensure that electricity consumption of indigents can be monitored by them self and be controlled, is it

proposed that the conventional electricity meter of indigents with outstanding electricity accounts be replaced by an pre-paid electricity meter.

Comments

The indigent will be in charge of the electricity consumption as they can see the impact of using certain electrical equipment as well as what consumption they can afford.

Recommendation

That the policy be adjusted as follows:

Paragraph 7.9.4.7:

That the conventional electricity meter of an indigent with an outstanding electricity account be replaced by a pre-paid electricity meter, at no cost to the indigents.

(c) CASH MANAGEMENT AND INVESTMENT POLICY

The underlying cash is managed and invested in accordance with the Municipality'sapproved Cash Management and Investment Policy, which is aligned with National Treasury's municipalinvestment regulations dated 01 April 2005.

Investments

Amendments recommended

Background

In terms of part 4 of the Policy (Investment Ethics) must all investments be managed in consultation with the executive mayor.

Comments

No councillor should be involved in managing the investments of the municipality. Councillors do have an oversight role and information regarding investments will be indicated in the monthly financial reports to Council.

Recommendation

That investments be managed in consultation with the Municipal Manager or a delegated person and that the policy be amended as follows:

PART 4. INVESTMENT ETHICS

The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the municipal manager or a person delegated by the municipal manager and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the municipal manager or a delegated person, shall not accede to any influence by or interference from councillors, investment agents or institutions or any other outside parties.

Neither the chief financial officer nor the municipal manager or the delegated person may accept any gift, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

(d) RATES POLICY

In 2005, the Municipality initiated a process to prepare a General Valuation Roll of all property in terms of the Local Government: Municipal Property Rates Act 6 of 2004 (MPRA) which became operative on 2 July 2005. A Rates Policy in accordance with Section 3 of the MPRA was approved Council.

Amendments recommended

PROPERTIES IN THE RURAL AREA

Background

Properties in the rural area (other than agricultural properties) can apply for a 30% rebate due to the fact that it is situated in the rural area.

Comments

It creates an unfair benefit for the businesses/owners in the rural area as owners/similar business within the town area must pay the full rates charges.

Recommendation

That a 15% rebate for properties in the rural area be allowed.

EXEMPTION OF HALLS IN RURAL AREA

Background

There are halls in the rural area that are utilized by the farming and rural community that are charged 50% of the municipal rates while they are providing the same facility which the municipality is responsible for.

Comments

To ensure that these facilities(halls) can be maintained and be utilized by the rural community, is it proposed that a 100% rebate on rates be granted for owners of these halls, on condition that these halls do have a separate title deed and are owned by a non-profit organization.

Recommendation

That the following be included in the rates policy:

That a 100% rebate on rates be granted for owners of halls in the rural area, on condition that these halls have a separate title deed and are owned by a non-profit organization.

EXEMPTION OF SPORTING CODES

Background

Some sporting codes in the municipal area are exempted from rates while other sporting codes are responsible for 100% or 25% of their rates bill, which must be addressed.

Comments

To ensure that all sporting codes are treated evenly, is it proposed that all sporting codes in the municipal area are granted a 100% rebate on their rates bill.

Recommendation

That the following be included in the rates policy:

That a 100% rebate on rates be granted for all sporting codes in the municipal, on condition that these properties of the sporting codes have a separate title deed and are owned by the sporting body.

SUPPORT TO THE ELDERLY

Background

People older than 60 years (pensioners) find it increasingly difficult to pay their rates and taxes. It is therefore propose that the qualifying household income as well as the percentage rebate be increased.

Comments

It is proposed that the policy be adjusted as follows:

The following categories of owners of residential properties shall additionally receive the following rebates on rates due in respect of such properties after deducting the rebate applicable to residential properties.

<ul style="list-style-type: none"> • Property owners who are over 60 years of age with a monthly household income of less than R 3000 who own one property and occupy it permanently 	60% of the rates
<ul style="list-style-type: none"> • Property owners who are over 60 years of age with a monthly household income of less than R 4000 who own one property and occupy it permanently 	50% of the rates
<ul style="list-style-type: none"> • Property owners who are over 60 years of age with a monthly household income of less than R 5000 who own one property and occupy it permanently 	40% of the rates

Recommendation

That the rates policy be adjusted as indicated above.

(e) SUPPLY CHAIN MANAGEMENT POLICY

Section 111 of the MFMA requires each Municipality and municipal entity to adopt and implement a supply chain management policy, which gives effect to the requirements of the Act. The Municipality's Supply Chain Management Policy was approved by Council.

The policy must be amended in terms on the PPPFA Regulations, 2011 but will first be debated at the management structures as well as the relevant Portfolio and Mayoral Committee and Council.

(f) VERIMENT POLICY

National Treasury has advised municipalities to implement anverment policy to ensure that funds can be shifted for operational requirements to ensure that service delivery are not hampered. The policy has been approved by Council as from 1 July 2010.

Amendments recommended

Background

The Veriment Policy indicates per paragraph 5.1 that funds can be transferred between and within votes, during the financial years while the Policy also indicate per paragraph 5.2 that funds can be transferred from the Operating Budget to the Capital Budget. As this create problems with reporting to National and Provincial Treasury, as the approved budget amounts must be provided to Provincial and National Treasury.

Comments

As forementioned is creating problems regarding reporting to Provincial and National Treasury, is it recommended that the policy be adjusted as follows:

- (a) Adjustments only be allowed until February, when the Adjustment Budget is tabled/approved.
- (b) Adjustments thereafter in exceptionale cases be allowed.
- (c) No funds be transferred from Operating to Capital Budget

Recommendation

That the Veriment Policy be amended as indicated above.

(g) FUNDING AND RESERVE POLICY

In terms of section 8 of the Municipal Budget and Reporting Regulations must each municipality have a funding and reserves policy and the policy came into effect in 1 July 2011.

No amendments were recommended.

5 Overview of Budget Assumptions

Expenditure

Salaries and Allowances

As salary increases of employees has not been finalized, has it been assumed that a salary increase of 6% will be negotiated.

The Minister of Finance will approve increases of councillors during the 2012/13 financial year, and the increase will be implemented as from 1 July 2012.

It is also assumed that the current employees will not resign and therefore were budgeted for notch increases of all employees.

General expenditure

It is assumed that costs for services and fuel will increase minimally. It is also assumed that the capital projects for 2012/13 will be completed during the financial year as there were budgeted for the depreciation of such projects as per general recognized accounting practice (GRAP). Depreciation on new capital expenditure is calculated at a varying rate ranging between 9 and 20 years depending on the nature of the asset.

Repairs and Maintenance

It is assumed that municipal infrastructure and assets will be maintained as per previous years and that no major breakages will take place during the financial year.

Capital costs

It is assumed that interest rates will be stable during the financial year, but the provision for capital has not been decreased.

Bulk Purchases

It is assumed that electricity tariffs of Eskom will increase by 13.5% as from 1 July 2012, as approved by NERSA.

Income

Households

It is assumed that the total households in the municipal area (the tax base) will stay stable during the financial year.

Collection rate for municipal services

It is assumed that the collection rate (percentage of service charges recovered) for the financial year will be the same as the previous payment rate.

In accordance with relevant legislation and national directives, the estimated revenue recovery rates are based on realistic and sustainable trends. The Municipality's collection rate is set at an average of 97%. Adequate provision is made for non-recovery. Whilst collection rates will vary between different services and be based on current trends, special provision was made to cater for roll-out of an extended indigent program.

Grants

It is assumed that the National and Provincial grants as per Division of Revenue Act (DORA)which has been included in the budget,will be received during the 2012/13financial year.

Indigents

It is assumed that the indigents will decrease during the financial year as all accountholders must apply for indigent subsidy as from 1 July 2012.

6 Overview of Budget Funding

Summary

The operating budget for 2012/13 will be financed as follows:

Charged for electricity, water, refuse and sewage	R 296 262 350
Property Rates	R 33 145 230
Provincial and National Grants	R 97 706 000
Sundry charges / Other	R 27 152 270

The capital budget for 2012/13 will be financed as follows:

Own Funds (Capital Replacement Reserves)	R 28 156 000
Grants	R 21 312 281

Reserves

The accumulated surplus will be used to finance the depreciation on assets as the impact of the full provision for depreciation will make the tariffs not affordable to residents. The financing of the depreciation will be phased in over a medium to long term period.

Sustainability of municipality

The way that the budget is funded will ensure that the municipality will be sustainable on the short term. The full effect of huge increases in electricity tariffs, which the municipality has no control over, may on the long run impact negatively on the sustainability of the municipality. This is a huge concern for the municipality.

Impact on rates and tariffs

The way that the budget is funded will ensure that, except for electricity tariffs, tariff increases will range from 5.9% to 8%. The municipality has no control over the increases of electricity tariffs and with the 13.5% increase in electricity tariffs of Eskom; the increases in tariffs will have a negative impact on the local economy.

Property valuations, rates, tariffs and other charges

The valuation of properties is based on valuations as on 2 July 2010. The General Valuation was done in terms of the Property Rates Act, (Act 6 of 2004) and implemented on 1 July 2011.

The rates tariffs as well as tariffs for electricity, water, refuse, sewage together with the sundry tariffs are listed in Section B – Tariffs. The tariff increases are also indicated.

Collection Rate

Income levels for service charges and rates for the budget year were based on the previous year's collection rates:

Rates	98,5%
Electricity	98,4%
Water	95%
Sanitation	96%
Refuse	98%

Planned savings and efficiencies

The following areas were identified for possible savings after the efficiency of the usage of the assets/services has been evaluated:

Telephone costs
Overtime

Investments

Particulars of monetary investments:

Deposit	R 25 million	Maturity date – 23 March 2012
Deposit	R 20 million	Maturity date – 22 June 2012
Deposit	R 25 million	Maturity date – 6 July 2012

Contributions and donations received

There was not budgeted for any contributions and donations to be received.

Planned proceeds of sale of assets

None

Planned use of previous years cash backed accumulated surplus

It is planned to use the previous years cash backed surplus to increase the Capital Replacement Reserves, for future capital projects.

Particulars of existing and any new borrowing proposed to be raised

There is no new borrowing proposed.

Particulars of budgeted allocations and grants

Operating budget

Operating budget

Finance Management Grant	R 1 250 000
Municipal System Improvement Grant	R 800 000
Equitable Share Allocation	R 51 280 000
Maintenance of Proclaimed Roads	R 187 000
Library Services: Conditional Grant	R 963 000
Human Settlement Development Grant	R 14 267 000
Library Services: Replacement funding	R 3 648 000

Capital budget

Integrated National Elect.Programme(Mun)	R 500 000
Integrated National Elect.Programme(Escom)	R 35 000
Expanded Public Works Programme	R 1 000 000
Neighbourhood Development Partnership	R 400 000
Municipal Infrastructure Grant	R 18 376 000
Library Services: Conditional Grant	R 2 000 000

FUNDING ASSESSMENT FOR 2012/13

The following table lists the factors that have been reviewed. Each of the factors is then further described below.

No. Funding Compliance

- 1 Cash/cash equivalent position
- 2 Cash plus investments less applications
- 3 Monthly average payments covered by cash or cash equivalents
- 4 Surplus/deficit excluding depreciation offsets
- 5 Property Rates/service charge revenue % increase less macro inflation target
- 6 Cash receipts % of ratepayer and other revenue
- 7 Debt impairment expense % of billable revenue
- 8 Capital payments % of capital expenditure
- 9 Borrowing as a % of capital expenditure (less transfers/grants/contributions)
- 10 Transfers/grants revenue as a % of Government transfers/grants available
- 11 Consumer debtors' change (Current and Non-current)
- 12 Repairs & maintenance expenditure level
- 13 Asset renewal/rehabilitation expenditure level
- 14 Financial Performance Budget result
- 15 Financial Position Budget
- 16 Cash Flow Budget
- 17 Other key performance measures
- 18 Summary question

Funding compliance factor description

Each of these 'funding factor' have been analyzed and reviewed in their entirety prior to undertaking any analysis. Where the factor appears unfavourable and cannot be adequately motivated, the budget has been adjusted appropriately.

(a) Cash/cash equivalent position

The municipality's forecast a positive cash position for the medium term as all reserves and working capital are cash-backed. The cash situation seems as if it get worse, as the funding of the capital projects from own funds has been taken into consideration. History has indicated that although the municipality do not budget for surpluses (maybe to conservative), were surpluses recorded for the last few years.

(b) Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments identified at factor 1.

Although the investment amount has been decreased, is there expenses for housing and infrastructure projects of a few million rand that has been claimed that still must be received by the municipality.

(c) Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk (ability to meet monthly payments as and when they fall due) should the municipality be under stress.

The municipality does recover enough cash on a monthly basis to cover its monthly average payments. However, a financial risk is if unforeseen circumstances have a major negative impact on the income from electricity services (which is nearly 50% of the municipality's income).

(d) Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets.

This exercise indicates that there will be a surplus if the depreciation has been offset.

(e) Property Rates/service charge revenue % increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the rate or tariff as well as any assumption about real growth (i.e. new property development, services consumption growth).

The increase in tariffs for rates and other services (excluding electricity) range from 6-8% which is more than the inflation target. Electricity increases by NERSA/Eskom of 13.5% has a major impact on tariff increases. The municipality has increased its tariffs by 11.03% due to implementing one tariff structure for

both consumers within old municipal boundaries) and rural consumers outside old municipal boundaries.

(f) Cash receipts % of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are ‘collected’. This measure is intended to analyze an underlying assumed collection rate; i.e. how much cash is expected to be collected from current billing, charges and arrear debtors.

The assumed collection rate is based on collections of service charges of the current year (2011/12) and is regarded as realistic.

(g) Debt impairment expense % of billable revenue

This factor is to measure whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection.

Debt impairment has been based on service charges not collected during the current year (2011/12) and is regarded as realistic.

(h) Capital payments % of capital expenditure

The purpose of this measure is to mainly understand whether the timing of payments is being taken into consideration when forecasting the cash position. The measure focuses on the capital budget, because expenditure levels for this component of the budget can vary significantly from month to month, as there tends to be monthly consistency for operational budgets.

(i) Borrowing as a % of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality’s ‘own-funded’ capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) should be excluded.

(j) Transfers/grants revenue as a % of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from other government (national, provincial or district municipalities) have been included in the municipal budget, or that the transfer/grant budgets do not exceed available funds. A percentage less than 100 per cent could indicate that all Division of Revenue Act (DoRA), provincial transfers or district transfers have not been budgeted and should be immediately reviewed.

The transfers/grants as per Division of Revenue Act (DoRA) (100%) have been included in the revenue budget.

(k) Consumer debtors change (Current and Non-current):

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic.

The amount of outstanding debtors is regarded as realistic.

(l) Repairs & maintenance (R&M) expenditure level

This measure is included within the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenuebudget is not being protected.

The budgeted amount for Repairs and Maintenance is regarded as sufficient as it has increased by 11% from the 2011/12 budget. There was also budgeted in the capital for the replacement of equipment.

(m) Asset renewal/rehabilitation expenditure level

This measure has a similar objective to the R&M measures, but focus on the credibility of the levels of asset renewal plans.

There is no asset renewal plans, but assets are maintained to be operational.

(n) Financial Performance Budget result (surplus/deficit)

The purpose of this measure is to assess the overall budget.

The municipality's forecast a positive cash position for the medium term as all reserves and working capital are cash-backed. The cash situation seems as if it get worse, as the funding of the capital projects from own funds has been taken into consideration. History has indicated that although the municipality do not budget for surpluses (maybe to conservative), were surpluses recorded for the last few years.

The municipality does recover enough cash on a monthly basis to cover its monthly average payments. However, a financial risk is if unforeseen circumstances have a major negative impact on the income from electricity services (which is nearly 50% of the municipality's income).

(o) Financial Position Budget

The purpose of this measure is to also assess the overall budget.

Although the investment amount has been decreased, is there expenses for housing and infrastructure projects of a few million rand that has been claimed that still must be received by the municipality.

(p) Cash Flow Budget

The purpose of this measure is to also assess the overall budget.

The municipality does recover enough cash on a monthly basis to cover its monthly average payments. However, a financial risk is if unforeseen circumstances have a major negative impact on the income from electricity services (which is nearly 50% of the municipality's income).

(q) Summary

The municipality currently does have enough funds and generate enough cash to meets its operational requirements. The financial position of the municipality is monitored on a monthly basis by the Finance Portfolio Committee and corrective steps will be taken, if needed.

7. Expenditure on allocations and grant Programmes

Particulars of budgeted allocations and grants

Operating budget

Finance Management Grant	R 1 250 000
Municipal System Improvement Grant	R 800 000
Equitable Share Allocation	R 51 280 000
Maintenance of Proclaimed Roads	R 187 000
Library Services: Conditional Grant	R 963 000
Human Settlement Development Grant	R 14 267 000
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Capital budget

Integrated National Elect.Programme(Mun)	R 500 000
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Expanded Public Works Programme	R 1 000 000
Neighbourhood Development Partnership	R 400 000
Municipal Infrastructure Grant	R 18 376 000
Library Services: Conditional Grant	R 2 000 000

The above allocations and grants have been included in the operating and capital budgets.

8 Allocations or grants made by the Municipality

None

9 Councillor allowances and employee benefits

Allowances and employee benefits:

Councillors

Salary

Allowances for Cell phones

Allowances for Transport

Contributions

Senior Managers of the Municipality

Salary

Allowances for transport

Contributions

Performance Bonuses

Other Employees

Salary

Housing Subsidy

Long service bonuses

Allowances for Transport

13th Cheque

Contributions to medical and pension fund

Costs to Municipality:

Councillors

Speaker (1)	R 554 120
Executive Mayor (1)	R 687 530
Deputy Executive Mayor (1)	R 554 120
Executive Committee (4)	R 2 566 200
Other Councillors (16)	<u>R 2 787 290</u>
	<u>R 7 149 260</u>

Senior Managers

Municipal Manager	R 1 352 180
Chief Financial Officer	R 1 121 760
Director: Corporate Services	R 1 121 760
Director: Community Services	R 1 121 760
Director: Infrastructure Services	<u>R 1 121 760</u> <u>R 5 839 220</u>

All other staff R 118 776 070

Number of Councillors 23

Number of personnel employed

Senior Managers	4
Other Managers	20
Technical Staff	74
Other staff members	573

10. Monthly targets for revenue, expenditure and cash flow

The monthly targets for revenue, expenditure and cash flows is provided in SA 25 - Section B Supporting Tables

11. Capital spending detail

Information/detail regarding capital projects by vote is provided in Section B – Capital Budget.

12. Legislation compliance status

Langeberg Municipality complies in general with legislation applicable to municipalities.

13. Other supporting documents

None

14. Municipal Manager's quality certification

Quality Certificate

I, Mr SA Mokweni, Municipal Manager of Langeberg Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the budget and supporting documentations are consistent with the Integrated Development Plan of the municipality.

Print name Mr SA MOKWENI

Municipal Manager of LANGEBERG MUNICIPALITY.

Signature _____

Date _____